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A Changing Retail Landscape: Introduction to Special Issue

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Abstract

Retailing is changing dramatically. We briefly identify several major trends and next discuss how each of the papers in this issue of the Journal of Association of Consumer Research relates to these trends. These papers mainly focus on omnichannel retailing, technological changes, and vertical integration. Future research can build on these studies, as well as study other trends, such as digital online retail giants and big data analytics in retailing.

Introduction

The retailing industry is going through a major shift (Kahn 2018). It is not an exaggeration to say that the retailing shopping experience is undergoing the most radical transformation since the U.S. Postal Service began delivering packages in 1913 (paving the way for the explosion of the mail order business) or the invention of the shopping cart in 1937. The physical changes in the industry are hard to ignore; in 2018, more than 8000 stores closed (Green and Harney 2017), in addition more retailers than ever are filing for bankruptcy protection. For example, traditional strong retailers like Toys' R Us, Rue21, Gander Mountain, Radio Shack and Circuit City have not been able to survive.

This massive disruption has been caused by a confluence of many factors that have resulted in a change in the competitive environment, a change in the physical manifestations of retailing, and importantly, given our role as consumer researchers, in a fundamental change in consumer experience. Building on the seven trends identified in Kahn (2018) and the changes in the shopping landscape noted by Lee et. al. (2018), we note the following macro trends that are accelerating major shifts in consumer behavior and the resulting disruption in the retailing industry:

- (1) Behemoths in e-commerce: The emergence of powerful, dominating e-retailers such as Amazon, Alibaba, and JD.com have fundamentally altered customers' expectations for convenience in shopping and have changed the competitive retail landscape dramatically. Amazon's acquisition of Wholefoods in 2017 and their opening

of their own stores provide an important signal that these powerful retailers will expand to offline as well as to other retail and service sectors.

- (2) Omnichannel shopping: The customer journey is no longer a linear experience described by a purchase funnel model; rather, it is a 24/7, multi-channel, non-linear social customer experience (Lemon & Verhoef, 2016). This implies that consumers are now becoming multi-channel customers. Across and within these channels, firms should provide a strong seamless experience in order to attract and create loyal customers (Verhoef, Kannan and Inman 2015).
- (3) Technological changes: The internet, social media, mobile commerce, in-store sensors and cameras that record every movement, and the Internet of Things (IoT) have radically advanced the ability of researchers to capture data about how people shop (Inman & Nikolova 2017; Verhoef et al. 2017). Most importantly, this has allowed retailers to increase the frequency in touchpoints with the consumer. The explosive growth of social media has also provided consumers with platforms to seamlessly converse with and influence other consumers.
- (4) The Era of Big Data: Advances in artificial intelligence and machine learning have allowed retailers to develop sophisticated algorithms that can provide consumers with personalized, customized retail offerings at key touchpoints (Verhoef, Kooge and Walk 2016).
- (5) Digitally-native consumers: The new generations of consumers from the Millennials to Generation Z have grown up in a digital world and that has fundamentally affected the way they shop. These new consumers have also pressured retailers to care

more about consumers holistically and to be mindful of sustainable retailing practices and strategies to improve their health and welfare.

- (6) Vertical integration: Products can now go directly from the factory to the consumer, eliminating layers from the distribution channels. This also allows retailers to offer broad assortments more easily and efficiently to cater to the long-tail (e.g., Anderson 2006) of customers' preferences.

Research is required to understand these tectonic shifts in the retail landscape that are affecting individual consumers, manufacturers, retailers and society. That is the genesis of this issue of the *Journal of Association of Consumers Research* devoted to the changing retail landscape theme. The Baker Retailing Center, Marketing Science Institute and AMA Consumer Behavior Special Interest Group co-sponsored a conference in June 2017 at The Wharton School, University of Pennsylvania. We received 60 submissions to present at this conference. This ultimately resulted in this special issue with 12 articles. We next discuss each of the accepted papers and link them to the above-mentioned changes in the retail landscape.

Omnichannel Shopping

This issue includes multiple papers related to research on omnichannel shopping and its implications for online and offline retailers alike. These articles focus on drivers of omnichannel shopping and consequences, as well as understanding the customer journey in shopping, and retail strategies for channel integration.

One of the major changes in retailing involves the ability of consumers to shop across multiple online/offline channels 24/7, and as a result retailers are able to have multiple touchpoints with shoppers. All of this results in changes in the shopping journey. Lee et al. (2018) develop a theory-based model of the new shopper journey, taking into account the evolving retailing landscape characterized by significant knowledge, lifestyle, technological, and structural changes. The authors also identify several shopper journey archetypes representing paths that consumers commonly follow. They then present exploratory empirical studies assessing the stages of the archetypes and mapping the archetypes onto dimensions of shopping motivations. They close with several propositions that map a research agenda on this foundational topic in marketing and consumer research.

The notion of omnichannel shopping also suggests that today's consumers may use multiple channels in different phases in the customer journey. In the purchase phase, consumers may choose between online and offline channels depending on the context, consumers' needs, their experience as well as their shopping attitudes (e.g., shopping enjoyment). The use of multiple channels may also affect purchase outcomes, because customers who have shopping experiences across different channels may become more loyal to the retailer. Bezawada, Kumar and Trivedi (2018) study the antecedents of multi-channel shopping and its consequences. Their results clearly show that different factors (i.e., technology attitudes, shopping enjoyment, experience) impact multi-channel shopping and that multi-channel shoppers are more frequent shoppers, spend more and are more profitable confirming prior research of for example Montaguti, Neslin and Neslin (2015).

Mobile gains a stronger prominence in the consumers' shopping journey as well. Retailers have introduced mobile websites as well as mobile apps to increase consumer

convenience and experience and create a stronger lock-in. In addition to retailer apps, there are apps associated with loyalty programs that provide tiered benefits related to status. Wang, Krishnamurthi and Malthouse (2018) investigate the impact of such an app on the saving behavior within a coalition loyalty program. Accounting for self-selection effects, they show that app usage is beneficial for the program because it increases member participation and engagement. In particular, app usage fosters loyalty at retailers offering frequently purchased goods such as groceries and gas. This research not only contributes to the literature on omnichannel shopping, but also to the literature on technology effects in loyalty programs (Bijmolt and Verhoef 2017).

Retailers continue to pursue cross-channel integration in order to create a more seamless consumer experience. Prior research has focused on integration of the retail mix, such as assortment integration, price integration and design integration. Kleinkercher et al. (2018) examine the effects of information integration by considering the retailers' online website as an information hub in which information is communicated about the store. They study how this integration positively affects channel switching to the store and that these effects depend on the type of information cues. This implies that in order to move more customers from the online website to the physical store, firms should strongly communicate about multiple aspects of the store on their website. Simply providing an address is insufficient; retailers should also provide information on assortments, prices, services, etc.

Given the importance of the omnichannel trend, we asked two practitioners to write commentaries on the omnichannel focused papers. Specifically, Gordon Wyner, MSI research director, and Ewald Hoppen, Senior Digital Analyst at the Dutch online retailer Wehkamp.NL, contributed two very thoughtful commentaries.

Digitally-Native Consumers

The new generations of consumers are increasingly holding retailers accountable for improving the welfare of their consumers and for addressing important societal and environmental issues. One particular focus has been on pressuring retailers and manufacturers to address the growing obesity issue in the US and to provide more healthy options. Liu and her colleagues (2018) conduct a field experiment that examines how in-store displays can affect purchase decisions both on the featured options as well as other options in the store. Specifically, they examine whether featuring healthy or indulgent products has spillover effects on the sales of the non-featured product types elsewhere in the store. The findings not only replicate prior research showing that featuring items in an endcap increases featured product sales, but also show asymmetric spillover effects. They report that featuring healthy foods had no statistically significant spillover effect on indulgent food sales, while featuring indulgent foods had a marginally significant negative spillover effect on healthy foods sales. Jointly featuring both healthy and indulgent foods only statistically significantly increased indulgent food sales. While this field study has some limitations, it provides a first step in understanding how these promotional interventions may affect consumer purchasing behavior. In addition to providing some managerial guidance, this study also has public policy implications.

Technological Changes

Advances in technology have fostered the development of very different types of commerce communities. One new type of retailing that has emerged is Branded Buy/Sell/Trade (BBST) experiences which are defined as, “consumer-initiated communities hosted on social

media platforms that exist for the purpose of C2C buying, selling and, to a much lesser extent, trading products from one focal brand" (Soule and Hanson 2018). These communities are not managed by the brand, but rather entirely by consumers. Brands can either dismiss these activities or possibly view them as a threat to the bottom line. These BBST communities are different from other C2C exchanges because of the focus on a single brand versus brand agnostic platforms. Soule and Hanson (2018) examine this new type of retailing exchange in which consumers assume a dual role as buyer and seller in a specific product category (here children's clothing). The results suggest, perhaps surprisingly, that this activity compels consumers to feel strong connections to their fellow members of the community and can *increase* traditional retail purchases, rather than cannibalize those sales. One possible mechanism for this effect is that the BBST activities can provide a "gateway" into the brand, which is especially relevant for expensive brands. Once the brand becomes accessible (e.g., the consumer's income rises), the consumer may then transition to traditional retail purchases. Further, if a brand engages with these communities, the brand can gain valuable marketing feedback on what consumers like and dislike about the brands.

One of major new communication technologies has been the explosive growth of social media. While many brands are now actively using social media to reach out to consumers, social media focuses on C2C interactions and consumers value specific forms of messages that have a more social character rather than a strong commercial focus. So an important challenge is how brands can use social media to reach out to their customers and which messages they should use. Using both field data and an experimental data, Weiger, Hammerschmidt and Wetzel (2018) study the effects of persuasive social media tactics on brand engagement. Their study shows that indeed strong commercial messages combined with a call for action are detrimental for brand

engagement. However, this effect is less strong when consumers feel a strong brand connection. Overall, this study indicates that using social media as a medium to persuade consumers is not particularly effective. Brands should focus their social media efforts on consumers who already identify with the brand (e.g., members of the brand community).

In this new retailing environment, where technology and has provided a powerful platform for consumers to reach other consumers via social media quickly and extensively, brands can be victims of consumer brand sabotage. One notable recent example of consumer brand sabotage is the proposed boycott of Nordstrom for its decision to stop carrying Ivanka Trump's clothing and shoe brand. This example shows that consumer brand sabotage not only affects targeted manufacturers can also affect retailers who sell the brand. Whereas when consumers target a manufacturer brand the reactions seem more obvious, the appropriate response for retailers who are just selling the brand seems more complex. Nyffenegger et. al. (2018) examine the negative spillover effects from a sabotaged manufacturer's brand on the corporate brand of the retailer. The results from two large-scale online-experiments show that there can be negative spillover effects from a sabotaged manufacturer brand on the retailer brand, and that appropriate and adequate retailer response (i.e., delisting versus continuation) can dampen the effect, but it is moderated by many factors, including whether the sabotage was called for because of brand performance factors as opposed to value conflicts, and the assortment size of the retailer.

A key strength of smartphones is the capability they provide shoppers to enter and update a digital shopping list. Huang and Yang (2018) examine how traditional handwritten shopping lists differ from digital shopping lists created on smart devices in terms of their impact on both shopping list composition and consumers' in-store shopping behavior. Across three studies, their

research identifies three key insights. First, they find support for their prediction that paper shopping lists include more products than digital shopping lists and that the products on paper shopping lists are on average less hedonic than those on digital shopping list. Second, the authors find that shoppers with a paper shopping list made more planned purchases than those with a digital shopping list. Third, digital list shoppers made more unplanned purchases than paper list shoppers. This article extends both the consumer planning process literature and the in-store decision making literature. We asked Laurens Sloom, professor in retail marketing at the University of Groningen and owner of EFMI Business School to comment on this paper. In his thoughtful commentary he also discusses new developments in shopping behavior.

Vertical Integration

Traditionally, brands have relied on retailers to sell their products to end-consumers. Retailers typically provide fewer opportunities for brands to build a brand in a store because they sell multiple brands. This also limits the opportunity for brands to create an extensive brand experience. In response, many brands like Nespresso and Apple sell directly to consumers in their brand stores and through their online brand websites. These brands have developed a direct channel to deliver their brands to consumers and have combined that with indirect channels as well. A relative new development is the use of flagship stores, which are stores designed to deliver extraordinary experiences. For example, Warby Parker opened a flagship store in New York. These flagship store thus focus on sales, but have a strong focus on creating brand experiences. Jahn et al. (2018) study how the retail experience in a flagship store affects brand experiences and subsequently purchase and buzz metrics. Their results show that flagship stores lead to a stronger brand experience, which are in turn related to store purchase metrics and word-

of-mouth. They also suggest that the created retail experience has a stronger relationship with brand experience when consumers have a recreational shopping orientation.

Relatedly, Robertson, Gatignon and Cesareo (2018) discuss flagship stores that are ephemeral, the so-called pop-ups. Specifically, they explore why consumers frequent pop-up stores and how they react after engaging in a pop-up experience. These pop-ups typically can be found at locations where there is a large crowd. For example, at a Dutch central train station, there is retail space available for pop-ups. The authors' core thesis is that retailing environments that exhibit experiential characteristics as well as being ephemeral (e.g., luxury pop-ups) present a specific type of retailing environment that functions differently than "permanent" locations because it involves different processes and needs to be managed differently. The authors develop propositions regarding the drivers of consumer visits to a pop-up and factors that increase the post-experience likelihood of generating buzz about the pop-ups. Importantly, the authors argue that sales at a pop-up are of secondary importance – rather, it is the level of buzz generated and the organic media mentions that build brand awareness and reputation.

One of the outcomes of the changes in customer experience is that new retailing strategies have been developed to engage shoppers. One such strategy, known as probabilistic selling (or opaque selling), aims to increase excitement in the customer experience by surprising customers with what they end up purchasing. Specifically, retailers allow buyers to make a purchase, and only after the transaction do they know what subset of the whole set of distinct offers they obtained. For example, in 2016 more than 900 customers waited outside the Apple Stores in Ginza, Tokyo before it opened to purchase Apple fukubukuro (i.e., grab bags), which contained a handful of randomly selected Apple products worth JPY35,000 (roughly USD300). This type of selling has been shown to have significant benefits to retailers, including being an

effective revenue management tool, softening price competition and relieving mismatches between consumer demand and supply, Fan and Jiang (2018) focus on the effects on consumers. They show that this kind of selling can create social exclusion and threaten a sense of personal control.

Conclusion and Acknowledgements

To conclude this special issue provides a set of studies on relevant new developments in retailing. As you may notice these papers do not cover all of the trends identified by Kahn (2018), rather the papers tend to focus on changes in the retailing or distribution structure, such as multi-channel shopping and vertical integration. This suggests that there are still emerging areas in retailing requiring attention. Specifically studies are warranted on how the emergence of online retail giants (e.g., Amazon) is radically changing the retailing world and the effects of big data in retailing.

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